November 4, 2009

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FOR IMMEDIATE RELEASE

(Washington DC) Reversing a plan that would have unnecessarily saddled taxpayers with the costs of the failure of “too big too fail” institutions, the House Financial Services Committee today took up consideration of an improved Financial Stability Improvement Act. The bill is now expected to adopt a proposal championed last week by Congressman Luis V. Gutierrez, Chairman of the Financial Institutions and Consumer Credit Subcommittee: Make large firms prepay "premiums" in the event of dissolutions.

The bill would create an ex-ante resolution fund to be paid for by the big firms like Citigroup and Goldman Sachs themselves, rather than the taxpayer, thereby facilitating the orderly dissolution of any failed systemically significant firm in the future. Rep. Gutierrez praised the leadership of Chairman Frank for taking on this approach, and further called on Secretary of the Treasury, Timothy F. Geithner, to follow suit and commit to the creation of an equitable assessment system.

"It's simple: we need a plan that says the riskiest firms will pay an assessment proportionate to the risk they pose to the system," Rep. Gutierrez said during today's Committee markup. "If you think the wolves on Wall Street are the most vulnerable among us, then you shouldn't vote for this legislation. But if you think that those who are losing their pensions, those who are losing their homes and those who are losing their jobs and livelihoods are the most vulnerable, then you should join me in voting for this legislation."

"We will never be able to legislate away the financial crisis that continues to burden so many hardworking taxpayers," Gutierrez continued, "but we can take steps so that the riskiest financial institutions —and not the taxpayers— pay for the costs of any future crisis."

In addition to creating a "resolution fund" for too big to fail institutions, the bill would create an oversight council made up of the principal financial regulators. That council would, among other things: monitor emerging threats to the system; identify systemically significant firms; subject those firms to higher prudential regulatory standards; and improve federal regulatory oversight by merging the OTS and OCC into a single federal banking regulator.

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